



1. TABLE OF CONTENTS

| ITEM No. | ITEM DESCRIPTION | PAGE NUMBERS |
|-----------------|--|-------------------------|
| 1. | TABLE OF CONTENTS | 1 |
| 2. | MAYORAL BUDGET SPEECH | 2 |
| 3. | 2012/13 DRAFT BUDGET PRESENTATION REPORT AND RELATED RESOLUTION | 2 |
| 4. | DRAFT BUDGET RESOLUTIONS | 17 |
| 5. | OVERVIEW OF MUNICIPALITY | 19 |
| 6. | DRAFT MEDIUM TERM EXPENDITURE REVENUE FRAMEWORK 2013/2015 | 21 |
| 6.1 | EXECUTIVE SUMMARY | 22 |
| 7 | CONCLISION | 25 & 26 |
| 8 | ANNEXURES | 27 |

**2. MAYORAL DRAFT BUDGET SPEECH****(TO BE INSERTED LATER)****3. 2012/13 DRAFT BUDGET PRESENTATION REPORT****3.1. PROPOSED DRAFT OPERATING AND CAPITAL BUDGET**

The total draft operating expenditure has been budgeted at the sum of R 422 666 256 million as follows:

3.1.1. Draft Operating Budget

| Description | Adjusted Budget (2011/12) R | Draft Budget (2012/13) R | Increase /(Decrease) from draft budget R |
|---|--|---------------------------------------|---|
| Total Operating budget | R261 759 958 | R244 946 573 | (R16 813 385) |
| Income | | | |
| Property Rates | 25 173 298 | 22 020 230 | (3 153 068) |
| Service Charges | 43 331 139 | 43 624 028 | 292 889 |
| Rentals of facilities and equipment | 1 183 382 | 555 570 | (627 812) |
| Interest earned – external investments | 3 000 000 | 3 500 00 | 500 000 |
| Interest earned – outstanding debtors | 1 785 000 | 1 785 000 | 0 |
| Fines | 487 000 | 403 000 | (84 000) |
| Licenses and permits | 2 154 484 | 2 600 000 | 445 516 |
| Government grants and subsidies | 91 763 651 | 118 506 266 | 26 742 615 |



| | | | |
|------------------------------|--------------------|--------------------|---------------------|
| Capital grants | 90 851 050 | 50 566 183 | (40 284 867) |
| Other | 2 030 954 | 1 383 296 | (647 658) |
| Expenditure | | | |
| Employee related costs | 52 549 389 | 58 528 637 | 5 979 248 |
| Remuneration of Councillors | 12 521 875 | 15 497 577 | (2 975 702) |
| Bad Debt Provision | 2 000 000 | 2 000 000 | 0 |
| Depreciation | 10 697 549 | 12 583 587 | 1 886 038 |
| Repairs and maintenance | 15 643 000 | 13 349 500 | (2 293 500) |
| Interest external borrowings | 1 431 790 | 0 | (1 431 790) |
| Bulk purchases – Electricity | 23 615 855 | 28 300 000 | 4 684 145 |
| Contracted Services | 9 539 917 | 10 329 782 | 789 865 |
| Grants and subsidies paid | 12 283 442 | 14 703 857 | 2 420 415 |
| General Expenses | 30 328 898 | 37 433 789 | 7 104 891 |
| Internal Charges | 302 500 | 1 590 500 | 1 288 000 |
| Sub-Total | 170 914 215 | 194 317 229 | 23 403 014 |
| Capital grants | 90 851 050 | 50 566 183 | (40 284 867) |
| Surplus | -5 307 | 60 161 | (54 854) |
| TOTAL | 261 759 958 | 244 943 573 | (16 816 385) |



3.1.2. Draft Capital budget

| Description | Adjusted Budget (2011/12) | Draft Budget (2012/13) | Increase /(Decrease) from draft budget |
|---|---------------------------|------------------------|--|
| Total Capital Budget | R123 713 129 | R177 719 683 | 54 006 554 |
| Grants received: other | 2 700 000 | 0 | (2 700 000) |
| Grants: Dep of housing | 4 500 000 | 0 | (4 500 000) |
| DME | 38 136 000 | 0 | (38 136 000) |
| Grants Available, carried forward from previous years | 15 916 850 | 12 771 183 | (3 145 667) |
| Municipal Infrastructure Grant | 29 598 200 | 37 795 000 | 8 196 800 |
| SUB TOTAL (Capital Grants Receivable) | 90 851 050 | 50 566 183 | 40 284 867 |
| Capital Replacement Reserve (CRR) | 19 862 079 | 28 453 500 | 8 591 421 |
| External Loan (To be raised) | 13 000 000 | 98 700 000 | 85 700 000 |

3.1.3. Draft Salaries budget

Salaries, wages and allowances are set to increase from R65 071 264 (11/12) to R74 026 214 on (12/13). The salaries annual increment is estimated at 7%. The salaries budget is made of the following:-

| Description | Adjusted | Draft Budget | Increase / | Comment |
|-------------|----------|--------------|------------|---------|
|-------------|----------|--------------|------------|---------|



| | Budget (2011/2012) | (2012/13) | (Decrease) | |
|-----------------------------|------------------------|--------------------|-------------------|---|
| Employees Costs | 52 549 389 | 58 528 637 | 5 979 248 | *7% salary increment, vacant and critical posts advertised. |
| Councillors Remuneration | 12 521 875 | 15 497 577 | 2 975 702 | *increase per gazette on determination of upper limits for remuneration of Councillors |
| TOTAL | R65 071 264 | R74 026 214 | R8 954 950 | |

3.1.4. PROPOSED DRAFT OPERATING AND CAPITAL BUDGET SUMMARY BY MAIN VOTES

The draft operating budget as proposed and explained above is summarized as follows:

| Description By Main Votes | Proposed Expenditure | Proposed Income | Capital |
|--|-------------------------|--------------------|------------|
| Executive & Council | 37 484 606 | -370 501 | 925 500 |
| Budget & Treasury | 35 501 898 | -132 901 892 | 3 431 500 |
| Corporate Services | 11 988 632 | -200 000 | 794 000 |
| Community Services | 29 796 636 | -13 020 983 | 3 167 183 |
| Economic Development & Planning | 11 875 231 | -3 253 273 | 3 280 000 |
| Infrastructure and Housing Development | 67 670 226 | -95 196 924 | 67 421 500 |
| Capital Grants | 50 566 183 | 0 | 0 |
| Loan | | | 98 700 000 |
| Surplus | 60 161 | | |



| | | | |
|-------|-------------|--------------|---------------|
| Total | 244 943 573 | -244 943 573 | R 177 719 683 |
|-------|-------------|--------------|---------------|

3.1.5. CONDITIONAL AND UNCONDITIONAL GRANTS

| Grant Description | DoRA Allocation 2012/2013 | DoRA Allocation 2013/2014 | DoRA Allocation 2014/2015 | Purpose |
|--|------------------------------|------------------------------|------------------------------|--|
| Equitable Share | 105 328 000 | 113 183 000 | 123 036 000 | Unconditional, provisioning of municipal services and indigent support. |
| Municipal Systems Improvement Grant (MSIG) | 800 000 | 870 000 | 950 000 | Conditional, municipal administration systems enhancement and improvement. |
| Financial Management Grant (FMG) | 1 500 000 | 1 500 000 | 1 750 000 | Conditional. Financial Management Reforms implementation as per MFMA. |
| Municipal Infrastructural Grant (MIG) | 37 795 000 | 39 869 000 | 42 174 000 | Conditional, infrastructural improvement for provisioning of basic services. |
| Extended Public Works Programme (EPWP) | 3 430 000 | 0 | 0 | |
| Intergrated national Electrification Programme Grant | 4 000 000 | 10 000 000 | 27 000 000 | Conditional Grant for Intergrated national Electrification Programme Grant |



| | | | | |
|--------------|--------------------|--------------------|--------------------|--|
| Total | R84,497,000 | R82,584,000 | R88,149,000 | |
|--------------|--------------------|--------------------|--------------------|--|

3.2. PROPOSED DRAFT CAPITAL BUDGET PER FUNDING SOURCE

The draft budget has been compiled after taking into account a list of priorities from Ward Councillors. These projects are also in line with the IDP. The allocations for infrastructural projects from Grant funding and Housing projects from housing department are as follows:

| Description on Sources of Funding | Amount Allocated as Per Budget 2012/2013 | Amount Allocated as Per Budget 2013/2014 | Amount Allocated as Per Budget 2014/2015 |
|---|---|---|---|
| Municipal Infrastructural Grant (MIG) | 37 795 000 | 39 869 000 | 42 174 000 |
| Grants Available, carried forward from previous years | 12 771 183 | 3 000 000 | 2 000 000 |
| Capital Replacement Reserve | 28 453 500 | 15 000 000 | 15 000 00 |
| External Loan | 98 700 000 | 0 | 0 |
| Total | 177 719 683 | 57 869 000 | 59 174 000 |

The overall Final Capital budget is set at a total of R177 719 683.

3.3. PROPOSED DRAFT TOTAL CAPITAL AND OPERATING BUDGET

The total proposed draft capital and operating budget for 2012/2013 is set at a sum of R422 666 256 and this is tabled as follows:

| Description | 2011/2012 Capital & Operating | 2012/2013 Capital & Operating | 2013/2014 Draft Capital & Operating | 2014/2015 Draft Capital & Operating |
|-------------|-------------------------------------|-------------------------------------|---|---|
|-------------|-------------------------------------|-------------------------------------|---|---|



| | Budget | Budget | Budget | Budget |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Budget | 261 759 958 | 244 946 573 | 269 441 230 | 296 385 353 |
| Capital Budget | 123 711 069 | 177 719 683 | 79 019 683 | 89 921 651 |
| Total Budget | R385 471 027 | R422 666 256 | R348 460 913 | R386 307 004 |

In conclusion, this is a draft budget for both capital and operating estimates as suggested by all the Municipal departments. The proposed draft capital estimates have been compiled after taking into account the IDP projects.

3.4. PROPOSED DRAFT BUDGET REVENUE

Major sources funding final budget revenue for the municipality, revenue estimates for budget 2012/2013 is R333, 046, 094 (2010/11: R313,509,486) this resulted to an increase of R19,536,608 which is 16.23% overall revenue increase.

Municipal tariffs have been increased as follows:

3.4.1. Property Rates

Rate randages are to be at 0,015c for Residential, 0.018c for vacant land, 0.018c for Commercial and 0.003c for farms in each rand value as determined in the General and Supplementary Valuation rolls for Residential and Business, Industrial, Government categories respectively.

The **rebates** are as follows:



| Category | Final Budget | Draft budget |
|-------------------------|--------------|--------------|
| | 2011/2012 | 2012/2013 |
| Residential | 35% | 35% |
| Business and Industrial | 10% | 10% |
| Government: Residential | 0% | 0% |
| Government: Business | 0% | 0% |

Rates exemptions for residential properties will remain at first 35,000 rands of the property value as determined in the rolls.

The rate randages charge for farms and agricultural is 0.00310c which is 1:0, 25 of the residential randages.

The General Valuation Roll compilation is in progress, the property values are still to be made public and open for objections. Public comments on the budget and tariffs will be considered before a final budget is approved by the Council before the start of a new financial year.

3.4.2. Electricity Tariffs

Electricity tariffs are subject to National Electricity Regulator of South Africa (**NERSA**) approved increase and this is estimated to be 11.03% as per a guideline from NERSA. NERSA made a recommendation on the tariff increase application submitted that the electricity tariffs need to be re-structured according to block scaling / inclining block scaling where the charges increase according to kWh consumed. NERSA is still to approve electricity tariffs for implementation from 01 July 2012.

3.4.3. Refuse Removal and Fire Levy

The tariffs are to increase by 4%. This is a levy charged on a monthly basis securing customers where in the event of fire the municipality does not charge for call outs.

**3.4.4. Other Municipal Charges**

All other **municipal charges** will not increase with the exception of the following new business licenses:

| | | |
|--|-----|-----|
| Food Vendors in caravans & carts or similar vessel | 150 | New |
| General Dealers | 500 | New |
| Supermarkets, Wholesalers & Butcheries | 500 | New |
| Restaurants, B&B's, Hotels, Guest Houses, Lodges | 500 | New |
| Spaza Shops | 300 | New |
| Funeral Parlours | 500 | New |
| Hawker License: Trucks & Bakkies | 150 | New |
| Hawker License: Street Vendors | 150 | New |
| Hawker License: (Special Application – Events) | 300 | New |
| Clothing Shops | 500 | New |
| Hardware | 500 | New |
| Garages | 500 | New |
| Livestock Sales | 200 | New |
| Car wash | 200 | New |
| Laundromat/Dry Cleaning | 500 | New |
| Financial Institution | 500 | New |
| Beauty Parlour: Hair Salons, Barber Shops etc | 200 | New |
| Furniture Shops | 500 | New |
| Legal Practice | 500 | New |



| | | |
|---------------------------------------|-----|-----|
| Surgeries | 500 | New |
| Transport Industry | 500 | New |
| Liquor: Bottle Stores, Taverns | 500 | New |
| Book Shops | 500 | New |
| Brokers: Insurance, Estate agents etc | 500 | New |

BUDGET SUMMARY

The proposed draft budget for 2012/2013 is inclusive of the service delivery programs budget under operating budget as follows,

1. Office of the Municipal Manager
 - Council – 17 825 746
 - Municipal Manager's Office – 8 115 423
 - IDP & PMS – 4 418 092
 - Communication, Protocol & IGR – 2 282 922
 - Special Programmes Unit – 2 418 397
 - Internal Audit – 2 053 524
2. Financial Services
 - Budget Planning & Financial Reporting – R -95 050 215
 - Fleet Services – R 739 685
 - Revenue and Debt Management – R -14 754 252
 - Supply Chain Management – R 2 167 643
 - Finance Governance – R 9 497 145
3. Corporate Services
 - Admin & Council Support – R 6 021 966
 - Human Resources – R 2 184 653
 - Information Technology – R 767 314
 - Corporate Governance – R 2 814 698
4. Community Services
 - Public Amenities – R 5 510 240
 - Library – R 583 652
 - Museum – R 233 026
 - Environment Services – R 2 428 791
 - Solid Waste – R 2 427 637
 - Safety & Security – R 4 457 584
 - Community Service Governance – R 1 206 076
5. Economic Development and Planning



- Local Economic Development – R 4 221 789
 - Development and Planning – R 2 225 815
 - Housing – R 170
 - EDP Governance – R 2 174 354
6. Infrastructure Development
- Civil Engineering – R 26 734 605
 - Electricity – R -4 899 328
 - Project Management Unit – R -296 877
 - Infrastructure Governance – R 1 429 902
7. Capital Projects
- Capital Replacement Reserve – R 28 453 500
 - Grants – R 50 566 183
 - Loan (To be raised) – R 98 700 000

Breakdown of the Loan

| Description | Amount |
|--|-------------------|
| Grader | 1 800 000 |
| Grid Roller | 1 200 000 |
| Water – Cart | 1 200 000 |
| Tipper Trucks | 3 000 000 |
| Drum Roller – Smooth | 600 000 |
| TLB | 800 000 |
| Lowbed | 2 200 000 |
| Bomag roller | 350 000 |
| Asphalt Compactors | 50 000 |
| New Office Building | 15 000 000 |
| Servicing of Sites in Area M (217) | 12 500 000 |
| Substation | 30 000 000 |
| Cedarville, Matatiele and Maluti Roads – Surfacing | 30 000 000 |
| Total | 98 700 000 |

The service delivery operating projects as included in the operating budget are therefore allocated as follows per functions in summary,

Capital budget allocations per ward are summarised as follows,

- Municipal Manager's Office – R 925 500
- Budget and Treasury Office – R 14 631 500
- Corporate Services – R 15 794 000
- Community Services – R 3 167 000



- Economic Development Plan – R15 780 000
- Infrastructure – R 127 421 500

CONCLUSION

Budget related policies have been reviewed and necessary adjustments are proposed to improve the efficiency and effectiveness of these policies on implementation to ensure that, the budget implementation is done in compliance with council policies and MFMA regulations.

Once the budget has been considered, it will be publicised through local media and notice boards to invite community comments and also public participation meeting will be held in every ward. All comments received will be considered by council through budget committees before the final budget approval.

4. DRAFT BUDGET RELATED RESOLUTIONS

The Council resolves that:

1. Draft operating and capital budget as reflected in Summary of Draft Operating and Capital Budget Schedules for 2012/2013 of (R422 666 256) was tabled.
2. Draft operating revenue and expenditure by Standard Classification as reflected in Summary of Budget Financial Performance Schedules for 2012/2013 of (R244 946 573) be tabled. (Budget Attachment – Annexure B, Table A2).
3. Draft Capital expenditure by Vote, standard Classification, Associated Category and Funding reflected in 2012/2013 Draft Capital Budget schedules of (R177 719 683) was tabled. (Final Budget Attachment – Annexure C, Table A5).
4. Budget related policies as attached to the draft budget that have been reviewed and are awaiting for public consultative meetings:
 - 4.1. Credit Control & Debt Collection Policy
 - 4.2. Banking & Investment Policy
 - 4.3. Fixed Asset Management Policy
 - 4.4. Budget Policy
 - 4.5. Property Rates Policy
 - 4.6. Transport Policy
 - 4.7. Tariff Policy
 - 4.8. Supply Chain Management Policy
 - 4.9. Indigent Policy



- 4.10. GRAP Framework Policy
- 4.11. Risk Management Policy
- 4.12. Data Backup Policy
- 4.13. Cash Management Policy
- 4.14. Special Services Tariff Policy
- 4.15. Grant & Donation Policy
- 4.16. Donor Finance Policy
- 4.17. Procurement Policy
- 4.18. Payment Policy
- 4.19. Virement Policy
- 4.20. Cash-up policy
- 4.21. Cash Shortage Policy
- 4.22. Electricity Token Policy
- 4.23. Credit Card Policy
- 4.24. Entertainment / Refreshment policy
- 4.25. Customer Incentive Scheme Policy
- 4.26. Strategy to Improve Debtor Payment Policy
- 4.27. Customer Care Policy
- 4.28. Fraud Prevention & Response Plan
- 4.29. Debt Capacity Policy

- 5. The proposed property rates and taxes imposed for the budget year 2012/ 2013 are approved as follows:
 - 5.1. Residential rate randages of 0,015cents and rebates of 35%.
 - 5.2. Vacant Land rate randages of 0,018 and no rebates.
 - 5.3. Commercial and industrial rate randages of 0, 018 cents and rebates of 10%.
 - 5.4. Public Service Infrastructure rate randages of 0,018cents and rebates of 10%.
 - 5.5. Government rate randages of 0, 018 cents and no rebates.
 - 5.6. Farms and Agricultural rate randages of 0, 003 cents and no rebates.
- 6. The proposed services tariffs and charges increase reflected for the budget year 2012/2013 approved as follows:
 - 6.1. Refuse removal at 4% increase;
 - 6.2. Other municipal charges (building plan fees; cemetery fees; fire brigade fees; hire halls fees; library fees; road traffic; pound fees) to remain unchanged 7% increase.
 - 6.3. Electricity tariffs at 19% increase subject to NERSA proposal.



5. OVERVIEW OF MUNICIPALITY

Matatiele Local Municipality is situated within the jurisdiction of the Alfred Nzo District Municipality. The municipality is bound to the north by Lesotho, to the north east by KwaZulu Natal (KZN) and Elundini Municipality to the south west. Umzimvubu Local Municipality is located to the south of Matatiele Local Municipality. The municipality incorporates the towns of Matatiele, Cedarville and Maluti.

The Alfred Nzo District Municipality (ANDM) is one of the six District Municipalities within the Province of Eastern Cape (EC) and stretches from the Drakensberg Mountains in the north, Lesotho to the north west, O.R Tambo District Municipality in the east and south and the Ukhahlamba District Municipality to the east. ANDM forms the north eastern boundary of the EC Province and borders onto KwaZulu-Natal (KZN) to the north east.

The Matatiele Local Municipality (MLM) covers an area of 4352 km² and constitutes 58 % of the Alfred Nzo District. MLM consists of 24 wards.

MLM is transversed by the R56 (Regional Road) linking the Elundini Municipality to the West and the Kokstad Municipality in the South West.

Matatiele Local Municipality (EC144) was established on 1 March 2006. The Municipal area has undergone a number of amendments in terms of provincial municipal and ward demarcation which have had a profound impact on planning in the area. Prior to 1 March 2006 a municipality known as Matatiele Local Municipality (KZ5a3) comprised the towns of Matatiele and Cedarville and fell within the Sisonke District of Kwazulu Natal. From 1 March 2006, a new Matatiele Local Municipality was established which was incorporated into the Alfred Nzo District of the Eastern Cape. The newly established Matatiele Local Municipality includes the towns of Matatiele, Cedarville and the magisterial district of Maluti which formerly fell under the Umzimvubu Municipality and a rural district management area which formerly fell under the jurisdiction of the Alfred Nzo District Municipality.

BUDGET CONSULTATION MEETINGS

The consultative meetings are proposed as follows:-

FROM TUESDAY: 11th APRIL 2012 – FRIDAY 13th APRIL 2012

Tuesday the 11th April 2012

| TEAMS | WARDS | TIME | VENUE |
|--------|------------------------|----------------|---|
| Team A | Ward 23 and Ward 24 | 10h00 14h00 | Mangolong Community Hall Zibi Meyer Community Hall |
| Team B | Ward 15 and Ward 16 | 10h00 14h00 | Qhobosheaneng Community Hall Mechachaneng Community Hall |
| Team C | Ward 22 and Ward 26 | 10h00 18h00 | Phalane community Hall Cedarville Town Hall |
| Team D | Ward 5 and Ward 4 | 10h00 14h00 | Roman Catholic Church Bethel JSS |
| Team E | Ward 21 and Ward 19 | 10h00 18h00 | ITC Church (Ntlola) Matatiele Town Hall |
| Team F | Ward 6 and Ward 1 | 10h00 18h00 | Dengwane Community Hall Maluti Civic Centre |

Wednesday the 12th April -2012

| TEAMS | WARDS | TIME | VENUE |
|--------|------------------------|----------------|---|
| Team A | Ward 18 | 10h00 | Mnyamaneni Community Hall |
| Team B | Ward 3 | 10h00 | Bahlakoana Tribal Authority |
| Team C | Ward 11 and Ward 25 | 10h00 15h00 | Mapfontein Community Hall St Paul Community Hall |

| | | | |
|--------|---------|-------|-----------------------|
| Team D | Ward 8 | 10h00 | Springside JSS |
| Team E | Ward 9 | 10h00 | Tsoelike JSS |
| Team F | Ward 17 | 10h00 | Sigoga Community Hall |

Thursday the 13th April-2012

| TEAMS | WARDS | TIME | VENUE |
|--------|------------------------|----------------|--|
| Team A | Ward 2 | 14h00 | Sassa Hall |
| Team B | Ward 13 and Ward 20 | 10h00 18h00 | Mpharane Community Hall Nokhwezi Hall |
| Team C | Ward 14 | 10h00 | Thabachicha Community Hall |
| Team D | Ward 12 | 10h00 | Nkau Community Hall |
| Team E | Ward 10 | 10h00 | Lunda Community Hall |
| Team F | Ward 7 | 10h00 | Pamlaville Methodist |

6.1 Executive summary

METHOD OF PREPARATION

The Budget was prepared according to the Zero Based Method. In terms of this method all votes and line items were reduced to zero and every amount allocated had to be motivated. General Managers were requested to hand their requests to the Chief Financial Officer for inclusion on the budget. The information was requested to reach the Chief Financial Officer by the 30 October 2011. All departments gave input.

APPROVAL

In terms of Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), hereafter called the MFMA, the Mayor must table the Annual Budget at a council meeting at least 90 days before the start of the budget year, that is 31 March. Council must thereafter consider any views of the community on the

tabled budget (Section 22 of the MFMA) and approve the budget before the start of the financial year which is 1 July (Section 16 (1) of the MFMA).

OPERATING BUDGET

In terms of the GRAP format, Capital Grants receivable are included in the Operating Budget. Capital expenditure is not included in the Operating Budget.

Operating expenditure is the day to day management items of the Municipality, i.e.

Salaries, Wages, Allowances
Repairs and Maintenance
Debt (Loans) Servicing
Depreciation of Assets
Insurance
Electricity
Telephone
Subsistence and Travelling Allowances
Fuel

The operating budget amounts to R244 946 573 Table 1 hereunder summarizes the budget per department. General Managers must manage their own budget, consulting with the Chairpersons of the standing committees and the standing committees where necessary. Allocations per line item are done by the departments themselves, as long as they don't exceed the amounts allocated per table 1. Priorities are therefore determined by the departments, including the filling of vacant posts.

The budget will be funded as per page 3. Kindly note that of a total budget of R244 943 573 - Council generates 75 871 125 (31%), and Grants amount to R169 072 449 (71%).

Table I Consolidated Overview of the 2012/13 MTREF

| | Budget Year 2011/12 | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
|---|---------------------|---------------------|------------------------|------------------------|
| Total Revenue (excluding capital transfers and contributions) | 261 759 958 | 244 946 573 | 269 441 230 | 296 385 353 |
| Total Expenditure | 170 913 515 | 244 883 412 | 269 371 753 | 296 308 929 |
| Surplus/(Deficit) for the year | 90 846 443 | 60 161 | 69 477 | 76 424 |
| Total capital expenditure | 123 711 069 | 177 719 683 | 79 019 683 | 86 921 651 |

Total Revenue by source

| INCOME | AMOUNT | PERCENTAGE |
|--|--------------------|-------------|
| Property Rates | 22 020 230 | 9% |
| Service Charges | 43 624 028 | 18% |
| Rentals of facilities and equipment | 555 570 | 0% |
| Interest earned – external investments | 3 500 000 | 1% |
| Interest earned – outstanding debtors | 1 785 000 | 1% |
| Fines | 403 000 | 0% |
| Licenses and permits | 2 600 000 | 1% |
| Government grants & subsidies | 118 506 266 | 48% |
| Capital Grants | 50 566 183 | 21% |
| Other | 1 383 296 | 1% |
| TOTAL | 244 943 573 | 100% |

The total Expenditure Budget is summarized as follows.

Total Expenditure budget by type.

| EXPENDITURE | AMOUNT | PERCENTAGE |
|------------------------------|--------------------|-------------|
| Employee related costs | 58 528 637 | 30% |
| Remuneration of Councilors | 15 497 577 | 8% |
| Bad Debt Provision | 2 000 000 | 1% |
| Depreciation | 12 583 587 | 6% |
| Repairs and maintenance | 13 349 500 | 7% |
| Interest external borrowings | 0 | 0% |
| Bulk purchases – Electricity | 28 300 000 | 15% |
| Contracted Services | 10 329 782 | 5% |
| Grants and subsidies paid | 14 703 857 | 8% |
| General Expenses | 37 433 789 | 19% |
| Internal Charges | 1 590 500 | 1% |
| Sub-Total | 194 317 229 | 100% |
| Capital Grants | 50 566 183 | |
| Surplus | 60 161 | |
| TOTAL | 244 943 573 | |

Budget per Department

| DEPARTMENT | EXPENDITURE | INCOME | CAPITAL |
|--|-------------|--------------|------------|
| Executive & Council | 37 484 606 | -370 501 | 925 500 |
| Budget & Treasury | 35 501 898 | -132 901 892 | 3 431 500 |
| Corporate Services | 11 988 632 | -200 000 | 794 000 |
| Community services | 29 796 636 | -13 020 983 | 3 167 183 |
| Economic Development & Planning | 11 875 231 | -3 253 273 | 3 280 000 |
| Infrastructure and Housing Development | 67 670 226 | -95 196 924 | 67 421 500 |

| | | | |
|----------------|--------------------|---------------------|--------------------|
| Capital Grants | 50 566 183 | | |
| Loan | | | 98 700 000 |
| Surplus | 60 161 | | |
| TOTAL | 244 943 573 | -244 943 573 | 177 719 683 |

CAPITAL BUDGET

Capital expenditure is the expenditure incurred on items used over a period of time longer than 12 months to generate future income.

Capital projects amounting to R177 719 683 has been included in this budget. Included in this amount is current incomplete projects amounting to R12 771 183 for which funding is available. Own sources available to fund these projects amount to R28 453 500. Our MIG allocation for 2012/2013 is R37 795 000 (- administration cost of R1 422 0000) . An application of external loan of R98 700 000 to be made.

All projects must be included in the IDP. The Capital Budget will be funded as follows.

FUNDING OF CAPITAL BUDGET

| | |
|--|--------------------|
| Grants Available, carried forward from previous years. | 12 771 183 |
| Municipal Infrastructure Grant (MIG) | 37 795 000 |
| SUB TOTAL (Capital Grants Receivable) | 50 566 183 |
| Capital Replacement Reserve (CRR) | 28 453 500 |
| External Loan (To be raised) | 98 700 000 |
| TOTAL | 177 719 683 |

GRANTS & SUBSIDIES ALLOCATIONS

In terms of the Division of Revenue Bill 2012 Matatiele Local Municipality will receive an Equitable Share of R105 328 000. This is not adequate to deliver services to our area. It is Operational Grants allocated to Matatiele for 2012/2013 is indicated as follows. Kindly note that these amounts are included in the revenue table as indicated on page 3.

Operational GRANTS and subsidies to be ALLOCATED TO MLM 2012/2013

| | | | |
|------------------------|---|-------------|--------------------|
| | <u>Subsidies</u> | | 241 400 |
| Museum | Subsidy (ito SLA) | 41400 | |
| Health | Subsidy (ito SLA) | - | |
| Road | Subsidy (ito SLA) | - | |
| Admin Corporate | Seeta | 200 000 | |
| | <u>Total Equitable Share</u> | | 109 050 000 |
| Finance | Equitable Share | 102 180 409 | |
| Electricity | Equitable Share - Free Basic Services | 1 233 516 | |
| Refuse | Equitable Share - Free Basic Services | 1 914 075 | |
| | | | |
| | | | |
| Roads | MIG Admin Fee | 1 422 000 | |
| | | | |
| Finance | FMG | 1 500 000 | |
| Finance | MSIG | 800 000 | |
| | | | |
| | <u>Establishment Plan Grant (DHLGTA)</u> | | 9 214 866 |
| MM | Election Grant | 170 501 | |

| | | | |
|-----------------------|-------------------------------|-----------|--------------------|
| IDP | Alfred Nzo | 200 000 | |
| Finance | Audit Verification | 275 683 | |
| Finance | Capacity Building | 100 000 | |
| Finance | Office Accomodation | 123 000 | |
| Finance | Valuation Roll GIS | 185 030 | |
| Finance | PMS | 181 540 | |
| Finance | Conderence Centre and Lodge | 200 000 | |
| LED | LED Project | 2 793 583 | |
| EDP | Town & Lums Amalgamation (PT) | 383 529 | |
| Infrastructure | EPWP | 4 602 000 | |
| TOTAL | | | 118 506 266 |

TARIFFS

The new Property Valuation Roll came into effect the 1 July 2009. Rates will increased by 4%, for the 2011/2012 financial year starting 1 July 2012.

Electricity tariffs were increase between 5.4% and 19% in terms of the directive from National Treasury and NERSA.

Refuse tariffs were increased by 4% and all other tariffs kept at the same level.

SPECIAL PROGRAMMES UNIT

Included in the Operating Budget provision was made for Special Programs as requested by the Office of the Mayor. This programmes are listed per table 6. Business plans must be developed and submitted to the Municipal Manager and Chief Financial Officer for approval prior to funds been released.

SPECIAL PROGRAMMES

| | |
|-----------------------------------|----------------|
| HIV/Aids campaign | 100 000 |
| Disability | 100 000 |
| Youth summit | 200 000 |
| Children in school | 100 000 |
| Woman - forums | 150 000 |
| Elderly - workshop on art & games | 100 000 |
| TOTAL | 750 000 |

EXTERNAL SERVICE DELIVERY MECHANISMS

External service providers are used for the refuse removal and grass cutting in the towns of Matatiele, Cedarville and Maluti.

ACCUMULATED SURPLUS

This budget will result in a surplus of R60 161. Again an appeal is made that LED projects that will increase our rate base be implemented. Further, revenue generating projects should be identified and implemented in all wards.

7.2.2 Conclusion

The information contained in this submission is subject to change depending on council approval of the final budget for 2012/2013.

Whilst it is impossible to fund all the requirements in the IDP through Municipal Budget, the Matatiele Local Municipality will through its Five (5) year plan strive to find innovative service delivery options for the funding of priorities in the IDP to address service backlogs and retain levels of services challenges.

It is also through enhanced communication and partnerships through the IDP RF, Ward Committees and Intergovernmental Forum that Matatiele Local Municipality will endeavour to deliver on its Constitutional challenge.

7. CONCLUSION

The budget compilation process for 2012/2013 to 2014/2015 Medium Term Expenditure and Revenue Framework (MTERF) commenced with submission of the Budget and IDP Review plan to Council for approval in 31 August 2011 in line with the requirements of the Municipal Financial Management Act number 56 of 2003. This exercise was carried out in order to establish the Capital Budget priorities as per IDP as well as to review the IDP for consideration of the Budget preparation process. The budget proposals were submitted by various departments for consolidation into one Council Budget. The consolidated budget has been discussed by Management and adjustments were subsequently made.

The draft budget to be tabled in Council for consideration 90 days before the start of the financial year as required by the MFMA. The draft budget and budget related policies and proposed tariffs to be presented in budget community meetings/ budget hearings for input by the communities on the months of March 2012 and are will be tabled to the Council for approval and implementation during 2012/2013 financial year. Community comments and suggestions from the consultative process will be considered and to be incorporated into the final budget.

This is a proposed draft budget for both capital and operating estimates as suggested by the relevant departments and Ward Councillors. This proposed draft budget is tabled to the Council for consideration and for approval.

8. ANNEXURES

Following attachments are included in this report as part of the information supporting the presentation of the 2012/2013 to 2014/2015 medium term expenditure revenue frame work.

A1 Schedule – Version 2.4